

Application Serial No. 09/668,547  
Response dated November 21, 2005  
Response to Office Action of May 20, 2005

## **REMARKS**

### **I. Status of the Claims**

This response is being filed in response to an Office Action dated May 20, 2005. Claims 1-30 are pending in this application, stand rejected, and have been maintained unchanged. Claims 1, 13, 25, 27 and 29-30 are independent. By the present Amendment, new claim 31-36 have been added, of which claim 31 is independent. No new matter has been added. Accordingly, claims 1-36 remain pending in this application. Applicant respectfully requests favorable reconsideration of the present application in light of the following remarks.

### **II. Interview**

Examiner is thanked for the courtesies extended during the personal interview conducted on September 23, 2005. During the interview, Applicant, Applicant's representative and the Examiner discussed adding to the present Amendment an example of an embodiment of the invention to aid the Examiner's understanding. Accordingly, Applicant respectfully include such an example.

### **III. An Example of an Embodiment of the Invention**

In an illustrative embodiment of the invention, an investment company creates and seeds a publicly registered investment product, for example, an investment fund. In accordance with this example, the investment product is created at \$10.00 per share using the investment company's own capital. The company actively manages the mutual fund's assets until the mutual fund obtains a hurdle rate, a predetermined rate of return, of 2%. Once the hurdle rate of 2% is achieved, the company sells its positions and purchases money market instruments (e.g.,

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short-term U.S. Treasury bills) or other cash equivalents, thereby freezing the net asset value (NAV) of the mutual fund. Therefore, the return on the mutual fund is "locked in" and does not change.

The redemption price of a share of the fund is the (NAV) of the share when the hurdle rate is reached. As such, a NAV of \$10.20 reflects the 2% return in this example. Therefore, for a share having a \$10.20 redemption price, the minimum bid could be \$10.00. This reflects the 2% return that the bidder could receive, should the bidder win the auction at the \$10.00 minimum bid. The maximum bid for the share could be \$10.19, one cent less than the redemption price. Therefore, no matter what the consequences, the winning bidder makes a return.

Following are numerical illustrations of the return of two winning bids of a share having a redemption price of \$10.20:

$$\text{Return} = \frac{\text{Redemption Price} - \text{Winning Bid Price}}{\text{Winning Bid Price}}$$

**Winning Bid 1:** Winning Bid: \$10.10

$$\text{Return} = \frac{\$10.20 - \$10.10}{\$10.10}$$

$$= \frac{\$0.10}{\$10.10}$$

$$= 0.99\%$$

**Winning Bid 2:** Winning Bid: \$10.00

$$\text{Return} = \frac{\$10.20 - \$10.00}{\$10.00}$$

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$$= \frac{\$0.20}{\$10.00}$$

$$= 2\%$$

The process of awarding shares continues in a recursive manner, first awarding shares to the first winning bidder, then awarding shares to the next winning bidder, and so on, until all shares have been allocated.

As such, the embodiment provides several benefits. For example, the bidders are guaranteed a return because the bids in this example are always less than the NAV, which does not change because the mutual fund is frozen prior to the auction. Furthermore, the bidders know their potential profit because they know the NAV prior to placing the bid. The bidder bears no risk and rather can calculate the return.

#### **IV. Rejection Under 35 U.S.C. § 102(b)**

Claims 1-30 were rejected under 35 U.S.C. § 102(b) as being anticipated by U.S. Patent No. 6,631,356 to Van Horn et al. ("Van Horn"). According to the Office Action, Van Horn teaches every element of claims 1-30 of the application. Applicant respectfully traverses this rejection.

##### **A. The Examiner's Rejection of Applicant's Previous Arguments**

1. In the Office Action, it is asserted that the recited "shares of a pooled investment product" was not given patentable weight because it occurs in the preamble and not in the body of the claim. Applicant respectfully submits that whereas "shares of a pooled investment product" occurs in the preamble, it gives life, meaning and vitality to the claim and properly define the invention, and therefore should be considered a claim limitation and accordingly,

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given patentable weight. Bell Communications Research, Inc. v. Vitalink Communications Co., 55 F.3d 615, 621 (Fed. Cir. 1995); In re Paulsen, 30 F.3d 1475, 1479 (Fed. Cir. 1994). As the Federal Circuit stated in Bell, “when the claim drafter chooses both the preamble and the body to define the subject matter of the claimed invention, the invention so defined, and not some other, is the one that the patent protects.” Id. at 620.

Indeed, the body of the claim explicitly recites the step of “opening an auction for the shares of the investment product.” The phrase “shares of a pooled investment product” helps define the subject matter of the claimed invention. The term “shares” appears in the body of the independent claims -- “the bids including a bid price per share and a number of shares bid” -- and therefore should be given patentable weight. The term “pooled investment product” defines which shares are being auctioned off. Accordingly, the claim should be read as directed to a pooled investment product.

2. In the Office Action, it is asserted that the limitations of “successively determining the winning bid based on *varying bids from multiple bidders*” and “the total number of available shares is *fixed*” are not recited in the claims and therefore carries no patentable weight.

With regard to bids from multiple bidders, the claim explicitly recites “receiving from the bidder computers during the auction bids.” These are multiple bids. Furthermore, the term “auction” necessarily requires “varying bids from multiple bidders.” An auction is a competitive bidding process by multiple bidders, wherein, for example, the highest bidder wins.

Applicant respectfully submits that the claim element “a total number of available shares” is a specific number, and is therefore fixed, which is subsequently reduced “by the

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number bid by the winning bidder". Therefore, Applicant respectfully submits that the claim supports the statement that "the total number of available shares is fixed."

3. In the Office Action, it is asserted that Van Horn teaches a "hurdle rate" because it teaches a rate of return, more specifically, by disclosing that "each buyer must determine the maximum price at which (or below) he or she is willing to purchase the featured item." According to the Office Action, the maximum price is specified in the binding purchase offer, which is guaranteed by the buyer's credit card.

Applicant respectfully submits that the "hurdle rate" recited in the claim is independent of the bidding process, unlike the teachings of Van Horn. According to the invention as claimed, the product must reach the hurdle rate, which is **predetermined**, and not determined by any potential buyers, and the hurdle rate must be reached **prior** to the auction in order for the auction to begin. As independent claim - recites, information is received about an investment product, "the investment product having achieved a hurdle rate," which illustrates that the hurdle rate is already achieved prior to receiving information and therefore prior to opening the auction. Therefore, Van Horn, which is directed to the maximum price being set by the bidders does not teach or suggest a "hurdle rate" which must be achieved prior to the auction as claimed.

4. The Office Action asserts that Van Horn teaches "successively determining...a winning bidder" and "successively updating" in column 15, lines 48-61.

Applicant respectfully submits that Van Horn's description referred to in the Office Action is directed to updating information based on interactions with the users, wherein all bidders collectively place a common bid. While there are multiple winners, the winners are not successively determined. This is in contrast to the invention, wherein the bidders compete

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against each other and an individual winning bid is successively determined. In accordance with embodiments of the invention, the highest bidder wins the first bid, then the second highest bidder wins the second bid, and so forth, until all available shares are allocated. Van Horn does not disclose or suggest "successively determining" winning bids, because all the bidders place a common, collective bid, and therefore is a collective winning bid, rather than successive winning bids.

5. The Office Action asserts that Van Horn teaches "a total number of available shares" because Van Horn teaches a supplier that utilizes a sales platform to sell a substantial volume of one product for the specific purpose of increasing its market share, and that the supplier specifies a minimum sales volume so that no sale is made unless the market share objectives are met.

Applicant respectfully submits that "a total number of available shares" of the invention as claimed is fixed, and is not a variable, whereas the minimum sales volume is variable in Van Horn. The total number of available shares of the invention represents a maximum, and is not simply a minimum volume as described in Van Horn. The minimum sales volume of Van Horn is merely a condition that must be met, which can be exceeded by the bidders, because it is merely a minimum. Therefore, the sales volume can, and does, vary, according to the bids received and is controlled by the bidders. In contrast, the total number of available shares of the invention is fixed and cannot be varied by the bidders.

6. Notwithstanding the arguments set forth above, Applicant added a new claim 31 incorporating the claim limitations of claim 1 with the disputed claim terms set forth explicitly. More specifically, new claim 31 requires a "*pooled* investment product," a "a predetermined rate

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of return,” and “receiving from a *plurality* of bidder computers during the auction a *variety* of bids for shares of the pooled investment product.” (emphases added).

Accordingly, Applicant respectfully submits that the arguments set forth in the Amendment filed on December 20, 2004 and as set forth below are supported by the pending claims, and Applicant respectfully requests that the arguments be considered. Applicant thereby submits that claims 1-31 are allowable over prior art.

#### **B. The Invention as Claimed**

In general, embodiments of the invention provide systems and methods for auctioning shares of a pooled investment product, such as a mutual fund or closed end fund, wherein the return on the pooled investment product is guaranteed.

Each of the independent claims 1, 13, 25, 27, 29, 30 and 31 is directed to an auction and recites that what is being auctioned is “shares of a pooled investment product” that declares a single net asset value (NAV). More specifically, the auction involves a pooled investment product that “has achieved a hurdle rate”. “Hurdle rate” is defined on page 9 of the specification as a “rate of return”. Also, as recited in each independent claim, the “share price of the investment product at the hurdle rate” is known. As described in the specification, the hurdle rate recited in the claims removes substantially all the uncertainty and risk in bidding on the investment product. As stated on page 4, lines 19-25 of the present application:

Also, because bidders are able to bid on the net asset value of the shares of an investment product after a predetermined hurdle rate has been achieved, bidders are able to determine which bid will yield an acceptable return on their investments. Risk to the investor’s investment principal is primarily limited to the opportunity cost of placing a hold on the investor’s capital during the auction itself as unsuccessful bidders do not make any payment and successful bidders know in advance that the investment outcome of their bid will be mathematically positive.

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For example, by freezing the net asset value of the shares of the pooled investment product, such as a mutual fund or a closed-end investment company, when the fund reaches the hurdle rate -- a certain rate of return -- the price of shares is known at the time of the auction. As recited in the claims, "the investment product information including a total number of available shares and the net asset value, the net asset value corresponding to a share price of the investment product at the hurdle rate" (Claim 1) is received at the server system. The shares of the fund maintain a specific share value. Therefore, the bidders are aware of their respective potential return, which can be obtained based on the share value of the investment product and the amount the bidders choose to bid in the auction.

Once bids are received, shares are allocated to winning bidders in a recursive process. The claims recite "successively determining..." "a winning bidder" and "successively updating..." "the investment product information by reducing the number of available shares by the number bid by the winning bidder of shares until all of the shares have been allocated". As discussed below, Van Horn fails to teach or suggest these claimed features.

Additionally, in accordance with the invention as recited in claims 2, 14, 26 and 28-30, the total potential return is known to each of the bidders in advance based on the amount bid. Accordingly, the bidders are aware of the maximum potential gain. As recited in claim 2, a potential bidder's return per share is obtainable by taking the net asset value, which is known in advance, and subtracting the bid price. The bidder is provided with the net asset value in advance, and the amount he/she chooses to bid is the individual bidder's decision. Therefore, each bidder is aware of his/her potential return based on his/her bid.

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Moreover, as explicitly described in claim 26, the winning bidders can redeem the shares for cash following the close of the auction at a redemption price equal to the net asset value. Minimum and maximum bids are also specified, and accordingly, the bidders know the potential return of the shares based on their respective bids.

**C. Arguments set forth in the December 20, 2004 Amendment and not considered or addressed in the Office Action**

Applicant respectfully submits that Van Horn is fundamentally different from the invention and fails to teach or suggest the claimed invention, including limitations explicitly set forth in the claims.

***1. Van Horn fails to teach or suggest pooled investment products having reached a hurdle rate***

Applicant respectfully maintains that Van Horn fails to teach or suggest auctions for “pooled investment products”, such as mutual funds or closed-end investment companies, that reach a “hurdle rate”. Van Horn is directed mainly towards retail sale of goods or services (col. 1, lines 57-67), such as watches and inline skates (col. 4, lines 17-23; col. 6, lines 41-44), in which a hurdle rate is simply inapposite. In fact, whereas Van Horn states that the product being sold could be “a tangible or intangible object or a service”, it does not mention investment products anywhere. Moreover, even if pooled investment products were taught or suggested, there is absolutely no suggestion to establish a hurdle rate for such products, as claimed. As described in the specification, the hurdle rate can help guarantee a rate of return. (Specification, page 4). Therefore, Van Horn does not teach or suggest “pooled investment products” having reached a “hurdle rate” as claimed.

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Therefore, because Van Horn fails to teach or suggest an auction of a pooled investment product, such as a mutual fund or a closed-end investment company, which has a fixed, associated hurdle rate, Applicant respectfully submits that Van Horn fails to teach or suggest the invention as claimed.

***2. Van Horn fails to teach or suggest a "return" as claimed in claims 2, 14, 26 and 28-30***

Applicant respectfully submits that Van Horn fails to teach or suggest a "return" as recited in claims 2, 14, 26 and 28-30. Representative claim 2 defines a "return" as "the difference between the net asset value and the respective winning bidder's bid price per share multiplied by the number of shares bid". Van Horn fails to disclose or suggest a return associated with the product being purchased. In fact, the buyer does not receive a "return", because he/she is purchasing goods or services, for which there is no calculatable return.

***3. Van Horn fails to teach or suggest a "redemption price" as claimed in independent claims 25 and 29***

Applicant respectfully submits that Van Horn fails to teach or suggest a "redemption price" as recited in independent claims 25 and 29. Claims 25 and 29 define "redemption price" as the share price of the investment product at the hurdle rate, in which the fund shares can be redeemed, for example, immediately for cash following the auction. Van Horn fails to disclose or suggest a redemption price associated with the product being purchased. In fact, redemption is not even a part of the buyer's process. As stated above, Van Horn is directed towards retail sale of consumer goods or services in which redemption is inapplicable.

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Furthermore, an auction of shares at a price below its current share price, or "redemption price" as defined in claims 25 and 29, is not an inherent option in the purchase of pooled investment products. Bidding on a fund with an embedded hurdle rate reflected in a discounted price range below the fund's current calculated share price is not inherent in the purchase of a pooled investment product, and therefore updating bidder account information for each of the winning bidders to reflect an investment return as defined in claim 28 is also not inherent in the purchase of a pooled investment product. Furthermore, as described above, because the redemption price is tied to the hurdle rate, a guaranteed return to the winning bidders is possible. The claim limitation is simply not saying the pooled investment product has a redemption price, but rather, "the redemption price per share correspond[s] to the share price of the investment product at the hurdle rate." Therefore, the claim explicitly recites a relationship between the hurdle rate and redemption price. This claimed relationship is neither taught nor suggested. Because a hurdle rate is not necessarily included in the purchase of a pooled investment product, neither the recited "hurdle rate", nor the recited "redemption price...at the hurdle price" is taught, either explicitly or inherently, or suggested.

***4. Van Horn fails to teach or suggest a "minimum price per share" as claimed in independent claims 25 and 29***

Applicant respectfully submits that Van Horn further fails to teach or suggest a "minimum price per share" as recited in independent claims 25 and 29. In contrast, Van Horn does not predetermine the lowest price but expects and provides for the price range to constantly change. The bidders in Van Horn can change the price range by making contingent offers at a lower price level (Abstract; Col. 8, lines 38-45, 66-67). Van Horn provides for bids lower than

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the then-current price range to be stored and used to potentially change the price range for the product. Id. Bidders in Van Horn can lower the price; there is no minimum. Therefore, Van Horn teaches away from the "minimum price per share" recited in the claims.

### *5. Claims as a Whole*

Despite having pointed to the individual features, Applicant respectfully requests that the Examiner consider the claims as a whole. The claims are directed to an auction for shares of a pooled investment product, wherein the winning bidders are guaranteed a calculatable return.

For example, claim 29 recites:

- (1) "an auction for shares of a pooled investment product";
- (2) "a redemption price per share corresponding to a price per share of the pooled investment product at the hurdle rate"; and
- (3) "wherein each winning bidder receives a guaranteed return equal to the difference between the redemption price per share and the bid price per share multiplied by the number of shares bid by the winning bidder".

The references cited by the Examiner neither teach nor suggest the combination of these recited elements, and accordingly, Applicant respectfully submits that claim 29 is patentable over the references cited by the Examiner.

For all the foregoing reasons, favorable reconsideration and withdrawal of the rejections set forth in the Office Action are respectfully requested.

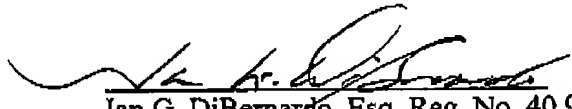
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### CONCLUSION

Applicant respectfully submits that all outstanding rejections have been addressed and are now either overcome or moot and respectfully request that the amendments be entered. Applicant further submits that all claims pending in this application are patentable over the prior art. Favorable reconsideration and withdrawal of those rejections and objections is respectfully requested.

Favorable consideration and prompt allowance of this application is respectfully requested. No fee other than the fee for the Petition For Extension of Time and Notice of Appeal submitted herewith is deemed necessary in connection with the filing of this Amendment. However, if any fee is due the amount of such fee may be charged to Deposit Account No. 19-4709. In the event that there are any questions, or should additional information be required, please do not hesitate to contact Applicant's attorney at the number listed below.

Respectfully submitted,



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